

# **EXHIBIT D**

## **Sand Appraisal**

LAND APPRAISAL EXHIBIT E

ADDENDUM TO THE APPRAISAL REPORT OF  
A VACANT PARCEL OF LAND COMPRISING 34.930 CUERDAS (33.92356 ACRES)  
LOCATED AT KM. 3.8, INTERIOR PUERTO RICO ROAD 687  
YEGUADA WARD, VEGA BAJA, PUERTO RICO

PREPARED FOR:

MR. JUAN PIZA-BLONDET  
MR. MAURICE PIZA, ESQUIRE  
ASHFORD AVENUE CORNER AGUADILLA STREET  
CONDADO, PUERTO RICO 00907

PREPARED BY:

CARLOS E. GAZTAMBIDE AND ASSOCIATES, INC.  
REAL ESTATE APPRAISERS AND CONSULTANTS  
SUITE 1515, BANCO POPULAR CENTER  
HATO REY, SAN JUAN, PUERTO RICO 00918

# Carlos E. Gaztambide, MAI, MIE



PROFESSIONAL REAL ESTATE APPRAISER

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June 13, 2005

Mr. Juan Pizá-Blondet  
Mr. Maurice Pizá, Esquire  
Ashford Avenue Corner Aguadilla Street  
San Juan, Puerto Rico 00907

Re: Addendum to Appraisal Report of a  
Vacant Parcel of Land Comprising  
34.930 Cuerdas (33.92356 Acres)  
Located at P. R. Road 687, Km. 3.8, Int.,  
Yeguada Ward, Vega Baja, Puerto Rico

Gentlemen:

In compliance with your request, we have finished the necessary fieldwork, research and analyses to complete the appraisal of caption property. The purpose of this appraisal is to estimate the Market Value of the Fee Simple Estate on the subject property as of December 2, 1998. The last inspection date of the subject property was June 3, 2005.

This addendum to the appraisal considers the Market Value of the sand deposits at the subject. The sand potential and volume estimate for the subject property was prepared by James Joyce, Ph.D., professor of Geology of the University of Puerto Rico, Mayagüez Campus. The address of Dr. James Joyce is University of Puerto Rico, Box 9017, Mayagüez, Puerto Rico 00681-9017. Dr. Joyce's report is included within this addendum.

The definition of Market Value of the Fee Simple Estate and other pertinent terminology are found within or as an exhibit of the appraisal report. A detailed description and analyses of the information gathered for this valuation and our assessment of its relative importance in attaining the final conclusion of value are included in the report. The document is a complete appraisal presented in narrative format. It is self contained from the perspective that includes the necessary data and reasoning conducive to our conclusion of value. However, for the sake of brevity, some sections are presented in summary format with reference made to other sections of the report or to widely recognized and respected publications dealing with the real estate industry.

Mr. Juan Pizá-Blondet  
Mr. Maurice Pizá, Esquire  
June 13, 2005  
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Based on the investigation and analyses performed we estimate that the Fee Simple Market Value of the sand volume estimated in Dr. Joyce's report as of the effective date is:

**Final Opinion of the Market Value of the Fee Simple Estate  
of the Sand Deposits in the Subject Property**

**Lower Limit of Value** **\$3,000,000.00**

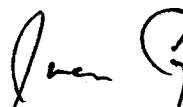
**Upper Limit of Value** **\$6,000,000.00**

Our conclusion of value is subject to the Contingent and Limiting Conditions included in the appraisal report. These are of general nature in order to ascertain the extent and scope of our engagement and in no way these weaken the final conclusion of value.

Respectfully submitted,



**Carlos E. Gaztambide, Juris Doctor, MAI**  
Professional Real Estate Appraiser  
Appraiser License #94 - Puerto Rico  
General Certification #4 - Puerto Rico



**Juan Cruz, MS Eng Mgt., MBA**  
Professional Real Estate Appraiser  
Appraiser License #653 - Puerto Rico  
General Certification #149 - Puerto Rico

### **HIGHEST AND BEST USE**

According to the Dictionary of Real Estate Appraisal (Appraisal Institute) highest and best use is defined as follows:

**The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.**

In this analysis the procedure is as follows: First, the highest and best use of the land as though vacant must be determined. If the highest and best use of the land is to be improved, then, the ideal improvements must be determined. Finally, the ideal improvements must be compared to the existing improvements (if any) and a determination made whether to maintain the property "as is" or modify the improvements.

**Legal Permissibility Test:** Most of the expropriated property lies in a zone where sand extraction is permitted by the Department of Natural and Environmental Resources (DNER). Based on this fact, the subject is recognized as a source of sand.

On the other hand, It should be added that Engineer José Hernández is developing a six unit residential project virtually within the perimeter of the Piza property and he has been approved to remove the sand deposits, sell the sand and substitute it with borrow fill as a normal activity within this development permit. This area is zoned B-2.

Furthermore, our Engineer-Consultant opines that the extraction and sale of deposits like the ones at the subject are incidental to any development permit and are customarily attainable. There is evidence in the neighborhood to the effect this is attainable.

**Physical Possibility Test:** The potential of the subject for sand extraction has been determined in the accompanying report by Dr. James Joyce, Geologist.

**Financial Feasibility Test:** The demand for sand in Puerto Rico is fueled by the construction industry. On the other hand, there are severe limitations and prohibitions for the extraction of sand in the beaches and rivers of Puerto Rico. Therefore, sand deposits like those in the subject are very valuable. It is reasonable to anticipate the financial feasibility of such an extraction operation. Furthermore, sand of the character at the subject has strong demand for industrial production.

**Maximal Productivity Test:** The extraction of sand deposits at the subject, its refill with soils into residential activity will attain the maximum productivity of the subject.

### **Conclusion**

The most probable, reasonable and legal use of the subject is the extraction of the sand deposits and its subsequent development into a residential project.

### **VALUATION BY THE INCOME APPROACH**

In the Income Approach the typical investor is mostly concerned with the income to be produced by the property. Other factors and amenities are of secondary importance. The indication of value obtained through this approach is based on the future income the investors are expected to earn. That is, the right to be able to receive an income stream has a certain value that may be quantified by the Income Approach. Therefore, it is recognized that by this method the Market Value of a property is equal to the present value of the income stream produced by the real estate in an operation during a forecasted period.

In this particular case, the appropriate approach to estimate the value via the Income Approach is through the analysis of an annuity income stream since the present value of the sand deposits is based on an anticipated future profit that will be derived from the operation. This estimated annuity is discounted at a rate that provides for competitive positioning within the spectrum of investment alternatives.

**COMPUTATIONS CONDUCTIVE TO A VALUE INDICATION****BY THE INCOME APPROACH****BASED ON THE "MINIMUM" SAND EXTRACTION POTENTIAL**

Total Volume Available for Extraction in Meters <sup>3</sup>	100,000 meters <sup>3</sup>
Total Volume Available for Extraction in Tons (100,000 meters <sup>3</sup> x 1.7 ton/mtr <sup>3</sup> )	170,000 tons
Daily Extraction Potential (1,000 meters <sup>3</sup> = 1.7 tons)	1,700 tons
Estimated Daily Extraction (80%)	1,360 tons
Total Number of Days (170,000/1,360 tons)	125 days
Total Number of Months (125/20 days/months)	6.25 months
Total Monthly Income	
1,360 tons/day x \$30 per ton x 0.80 (net of 20% expenses) x 20 days	\$652,800
Discount Rate	15%
Discount Factor	5.7460
Present Value on First Day of Operation	\$3,750,995
Deferral Factor for One Year	0.8696
Present Value of Income Stream	\$3,261,865
	Rounded to \$3,250,000



**COMPUTATIONS CONDUCTIVE TO A VALUE INDICATION****BY THE INCOME APPROACH****BASED ON THE "MOST PROBABLE" SAND EXTRACTION POTENTIAL**

Total Volume Available for Extraction in Meters <sup>3</sup>	200,000 meters <sup>3</sup>
Total Volume Available for Extraction in Tons (200,000 meters <sup>3</sup> x 1.7 ton/mtr <sup>3</sup> )	340,000 tons
Daily Extraction Potential (1,000 meters <sup>3</sup> = 1.7 tons)	1,700 tons
Estimated Daily Extraction (80%)	1,360 tons
Total Number of Days (340,000/1,360 tons)	250 days
Total Number of Months (250/20 days/months)	12.5 months
Total Monthly Income	
1,360 tons/day x \$30 per ton x 0.80 (net of 20% expenses) x 20 days	\$652,800
Discount Rate	15%
Discount Factor	11.0793
Present Value on First Day of Operation	\$7,232,567
Deferral Factor for One Year	0.8696
Present Value of Income Stream	\$6,289,440
	Rounded to \$6,300,000

**Final Conclusion**

Based on the above computations, the Market Value of the Fee Simple Estate of the Sand Deposits at the Subject Property as of stated effective date are as follows:

Minimum Probable Scenario	\$3,250,000.00
Most Probable Scenario	\$6,300,000.00

Therefore, the Market Value of the Fee Simple Estate of the Sand Deposits at the Subject Property as of stated effective date is best represented by the following rounded figures:

<b>Final Opinion of the Market Value of the Fee Simple Estate</b>	
<b>of the Sand Deposits in the Subject Property</b>	
<b>Lower Limit of Value</b>	<b>\$3,000,000.00</b>
<b>Upper Limit of Value</b>	<b>\$6,000,000.00</b>

**Very Important Note:**

We want to acknowledge the valuable help and expertise of Eng. Efraín Carreras, Vice-President and Chief Operational Officer of Grupo Carmelo, who is an expert in the production and manufacturing of an array of quality aggregate materials. Furthermore, Eng. Carreras is very knowledgeable on the insights in this particular industry. Finally, Eng. Carreras is an active participant in the real estate market of properties that serve for the extraction of raw materials for this industry.